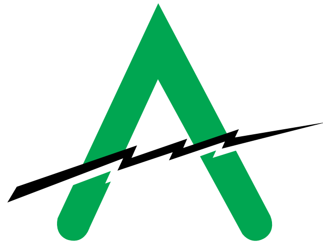

ALPINE ENERGY LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2013

ALPINE ENERGY LIMITED

MISSION STATEMENT

To ensure continuing commercial success by:

- **Providing safe, efficient, reliable and cost-effective energy delivery that promotes efficient and sustainable energy use.**
- **Encouraging the use of and utilising natural resources to support the production and consumption of electricity.**
- **Providing asset management services.**

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DIRECTORY

DIRECTORS:
Mr S.R. Thompson (Chairman)
Mr A. J. France
Mr W. Larsen
Mr R.D. Ramsay
Mr W. Bell

MANAGEMENT
Mr A.G. Tombs (Chief Executive)
Mr M. Boorer (Corporate Services Manager)
Mr W.T. Rawlins (Network Manager)
Mr S.M. Small (Compliance and Training Manager)
Ms S. Carter (Regulatory & Pricing Manager)

REGISTERED OFFICE:
Meadows Road,
Washdyke, Timaru
Ph: (03) 687 4300
Fax:(03) 684 8261
Website: www.alpineenergy.co.nz

AUDITOR:
Mr M. Bramley, PricewaterhouseCoopers,
Dunedin
On behalf of the Controller and Auditor-General

SOLICITORS:
Quentin Hix, Timaru

LEGAL COUNSEL:
Quentin Hix, Timaru

BOARD OF DIRECTORS AND MANAGERS

Board of Directors
Seated: Steve Thompson (Chairman), Rick Ramsay
Standing from left to right: Alister France, Warren Larsen, Warren Bell

Executive Management Team
Seated: Michael Boorer (Corporate Services Manager), Andrew Tombs (Chief Executive Officer)
Standing from left to right: Stephen Small (Compliance & Training Manager), Willem Rawlins (Network Manager), Sara Carter (Regulatory & Pricing Manager)

Laying Cables by Helicopter – Rangitata Line

OVERVIEW

Overall, Alpine Energy Limited (Alpine) had a better than expected year. In contrast to 2011/12, energy delivered across the network during the 2012/13 year was higher and perhaps reflective of a more buoyant economy and a dryer year for South Canterbury.

The volume of energy delivered over Alpine's distribution network was 750GWH which against the 2011/12 volume of 708GWH was 5.96% higher.

Completion of significant network capital expenditure (capex) projects consolidated another year of solid engineering and construction performance.

Including committed funds annual capex totalled $13.94million by 31 March 2013 against a planned budget $16.42million. Despite the $2.48million difference against budget this was still a good result as most of Alpine's key projects were completed leaving only projects that had close interdependencies with third parties.

Maintenance expenditure (opex) ended the year at $5.06million against a budget of $5.35million.
Central to Alpine values' is, "put Health and Safety first"; from this a key business objective of "Everyone gets home safely" carries to all facets of the business. With the exception one employee who suffered a knee injury, all staff achieved this objective.

Adding to the year of significant achievements was the successful recruitment of Alpine's new Regulatory and Pricing team, and the establishment of Alpine's IT structure. Both areas have added a new exciting dimension to Alpine from which significant future benefits and efficiencies are expected.

FINANCIAL PERFORMANCE

The financial performance for the Group exceeded all performance targets set in the Statement of Corporate Intent for the 2012/13 year. Earnings after tax at $10.90million was 16.6% higher than the level achieved in the previous year ($9.35million).

Installing Solar Panels at the Tekapo Substation

New Canal Road Substation

Network Variable Lines Revenue was slightly lower against budget, however the majority of Alpine's revenue streams were greater than budgeted levels. These included, other Lines Revenue, Chargeable Work, and Customer Contributions.

Group revenues of $46.03million were favorable against a budget of $44.02million.

On the Expenses side the Group incurred slightly higher than budgeted expenses due mostly to additional materials purchased for an overseas project through Alpine's subsidiary NetCon. This expense however, also attracted additional revenue through chargeable work.

NETWORK OPERATIONS

Major capital works on network infrastructure accounted for expenditure of $13.94million during the year and included:

- $2.9million in new subdivisions and extensions, and transformers
- $2.6million associated with Grasmere Street Zone Substation
- $1.8million on line and pole upgrades
- $1.1million associated with Alpine's Rangitata and Pareora Zone Substations
- $0.9million of double circuit cabling from North Street to Redruth
- $4.6million in numerous smaller projects and 2011/12 carryover capex

Of particular mention was the completion of Grasmere Street zone substation upgrade. Arguably Alpine's most challenging and complex project in recent years. The project was completed on time and within budget.

Major network capital for 2013/14 is budgeted at $21.06million and maintenance is budgeted at $5.35million.

RELIABILITY AND PERFORMANCE

Overall reliability for 2012/13 improved significantly against previous years with SAIDI reducing to 148minutes (162 in 2011/12; 226 in 2010/11; 332 in 2009/10).

At 1.30 SAIFI was slightly higher than 2011/12 result of 1.26, but was still within regulatory targets and continued the overall improvement trend over multiple years (1.71 in 2010/11; 2.18 2009/10).

NETCON LIMITED

NetCon, a 100% wholly owned subsidiary of Alpine, provides the backbone of contracted field services for Alpine.

Ahead of a declining revenue base from Alpine, NetCon has sought to grow its revenue by leveraging off the expertise, knowledge, and capabilities it has amassed as a successful contracting company.

In looking at growth NetCon was successful in winning a contract from the Ministry of Foreign Affairs and Trade (MFAT) for an Off-Grid solar array generation scheme for the Afghanistan township of Bamyan. This contract was the genesis for establishing NetCon International, a wholly owned subsidiary of NetCon. The project itself relies mostly on local contractors within Afghanistan, but the project management, logistics, and know-how are all delivered by a handful of New Zealand based staff.

The results of NetCon are consolidated into the Group for the twelve month period ending 31st March 2013.

ROCKGAS TIMARU LIMITED

Alpine has a 50% interest in Rockgas Timaru Limited.

Rockgas Timaru continues to be a successful provider of LPG to South Canterbury. This creates the opportunity for energy users to consider alternative energy options, and to diversify their energy requirements with a viable alternative, particularly for space and water heating.

FACILITIES AND THE COMMUNITY

As with previous years Alpine continued its active community involvement by sponsoring various facilities and events, which enhance the sporting and recreational life of the region, as well as providing personal development scholarships.

Similarly to last year, in excess of 140 people benefited from personal development scholarships during the year.

CORE INFRASTRUCTURE

In March 2013 the company re-released its Asset Management Plan (AMP) as a continuation of the AMP released in March 2010, March 2011, and March 2012.

The AMP identifies areas of significant network investment, with $90.7million forecast over the next 10 years in network capital expenditure (capex) and $54.7million in network operational expenditure.

The engineering work that has gone into the last four years to identify, design, augment, and replace aging infrastructure assets, many of which had reached the end of their economic life, has been considerable. It is pleasing to report that Alpine has now surpassed the peak of its forecast capex and is close approaching a more normalised level of annual capex.

The level of peak network infrastructure capex, referred to as the 'wall of wire' effect, is likely to be repeated approximately every 50 to 60 years.

OTHER BUSINESS

The Company continues to explore opportunities beyond delivering energy to our consumers.

During the 2012/13 financial year Alpine commissioned a solar energy trial on the roof of its Tekapo substation.

As well as testing the equipment in a range of weather conditions such as high winds, heavy snow and hail, Alpine will also gather data and monitor the site over the next year. The data output will be primarily used to assist modelling of Alpine's network to look at reverse energy flows, power quality including harmonics (electrical noise), and performance of remote integration and latency.
Alpine has also continued its interest in advanced metering technology and remains a member of SmartCo. SmartCo is a company formed by a number of like-minded electricity distribution companies looking at the current and future benefits of advanced metering technologies.

STAFF AND BOARD

Alpine is fortunate to have a highly dedicated and competent team of people who plan, design, operate, control, and administer the Group activities.

Personal Development Scholarship Awardees

During the year we welcomed regulatory & pricing staff, and IT staff to the Company. Recruitment for the remainder of the IT vacancies will occur in the first quarter of 2013 (financial year).

The year also marked the welcoming of a new Chairman to take over the reigns from Ian Bowan who after 20 years on the Board of Alpine and its predecessor South Canterbury Power Limited, the previous 12 of which had been as Chairman, retired from the Board. Ian provided exemplary service to Alpine during his tenure and the Board and Management wish Ian and Helen all the very best.

Filling the Board directorship left by Ian was incoming Director Mr. Warren Bell. Warren was appointed to the Board by Alpine shareholder Timaru District Holdings Ltd.

IN CONCLUSION

The Company responded well to the challenges during 2012/13; not the least of which were the completion of highly complex Grasmere zone substation project, more efficient spend in network opex, and a continued improvement trend against regulatory performance targets.

Alpine is well prepared for continuation of reinforcing and strengthening its core network infrastructure and responding to the needs of current and future generations of South Canterbury consumers.

Alpine's balance sheet remains strong and shareholder value continues to accrue satisfactorily.

We thank you for your continued support and we look forward to completing another successful year.

S R Thompson
Chairman

A G Tombs
Chief Executive Officer

TREND STATEMENT FOR THE GROUP

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
FINANCIAL PERFORMANCE					
Operating Revenue	46,035	39,555	38,521	38,091	38,460
Associate Entities' Earnings	124	138	128	14	(831)
Operating Surplus before Tax	15,424	12,847	13,119	14,288	16,243
Taxation	(4,518)	(3,496)	(4,118)	(3,997)	(3,839)
Net Surplus	10,906	9,351	9,001	10,291	12,404
Shareholder Distribution	7,563	7,563	7,815	7,794	9,402
FINANCIAL POSITION					
Current Assets	3,827	3,500	3,515	6,376	11,036
Non-Current Assets	161,272	152,480	134,037	119,956	110,089
Total Assets	165,099	155,980	137,552	126,332	121,126
Liabilities	53,466	47,543	31,058	20,873	20,075
Net Assets	111,633	108,437	106,494	105,460	101,051
Share Capital	41,328	41,328	41,328	41,328	41,328
Retained Earnings	70,305	67,109	65,166	64,131	59,723
Equity	111,633	108,437	106,494	105,460	101,051
FINANCIAL RATIOS					
Net Surplus to Average Shareholders Equity	9.9%	8.7%	8.5%	10.0%	12.5%
Tangible Assets per Share	$3.99	$3.79	$3.33	$3.06	$2.93
Earnings per Share (cents)	26.4	22.6	21.8	24.9	30.0
Dividend per Share (cents)	18.3	18.3	18.9	18.9	22.8
STATISTICS					
SAIDI (System Average Interruption Duration Index)	148	162	226	332	201
SAIFI (System Average Interruption Frequency Index)	1.30	1.26	1.71	2.18	1.69

Note: All financial figures have been prepared in accordance with NZ IFRS.

GENERAL DISCLOSURES

Principal Activities

The principal activity of Alpine Energy Limited (the Company) is ownership of its electricity distribution network. The Group, comprising Alpine Energy Limited and its subsidiaries (NetCon Limited and Timaru Electricity Limited) and associated entities (Rockgas Timaru Limited) also undertakes asset management and contract services.

Review of Operations

Group Operating Revenue of $46.035 million was achieved for the year, 16.4% greater than the previous year.

The Group Operating Surplus before tax for the year is $15.424 million, 16.7% greater than the previous year.

Review of Financial Performance

The financial statements presented have been prepared in accordance with the Accounting Policies forming part of these Financial Statements.

RESULTS FOR THE YEAR ENDED 31 MARCH 2013

	GROUP		PARENT	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating Surplus Before Tax	15,424	12,847	15,317	12,498
Income Tax	(4,518)	(3,496)	(4,412)	(3,293)
Net Surplus after Income Tax attributable to the Shareholders	**10,906**	**9,351**	**10,905**	**9,205**

SHARE CAPITAL

Total issued and paid up capital as at 31st March 2013 was 41,328,017 Ordinary Fully Paid Shares. There have been no movements in share capital during the year.

DIVIDENDS

Interim dividends, each of 3.66 cents per share, were paid in September and December 2012, and March 2013.

Having considered the solvency of the Company and Group, the Directors have resolved that a fully imputed final dividend of 7.32 cents per share be paid to Alpine Energy shareholders.

The fully imputed final dividend of $3.025 million will be paid on 31st July 2013 to all shareholders on the company's register at the close of business on 20th July 2013. This dividend was declared prior to balance date, and is included in the dividends for the year of $7.6 million, and has been provided for.

Solvency certificates were completed in support of the interim dividend declarations on 26th September and 22nd November 2012, and 28th March 2013, and the final dividend solvency certificate will be submitted to Directors for approval on the 25th July 2013.

The interim, special and final dividends relating to 2012/13 represent 90.6% of the Profit From Operations for the Group, excluding customer contributions.

RETURN ON SHAREHOLDERS' EQUITY AND STATE OF AFFAIRS

The Group net surplus after income tax attributable to the shareholders for the year ended 31st March 2013 represents 9.9% return on average total shareholders' equity.

The Directors are of the opinion that the state of affairs of the Company is satisfactory.

CORPORATE GOVERNANCE

The Group operates under a set of corporate governance principles designed to ensure the Group is effectively managed.

Board of Directors
The Board is the governing body of Alpine Energy Limited and currently has five members. The Board is appointed by shareholders to oversee the management of the Company and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of all shareholders, while respecting the rights of other stakeholders. The Board met ten times during the financial year.

Operation of the Board
Responsibilities
The Board is responsible for the management, supervision and direction of the Company. This incorporates the long-term strategic financial plan, strategic initiatives, budgets and the policy framework. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

Audit and Risk Committee
The Audit and Risk Committee, comprising the full Board, reviews the Company's financial statements and announcements. It also liaises with the external auditors and reviews internal controls which are relevant to financial reporting and related matters. This Committee is chaired by Mr Larsen.

DIRECTORS

Parent
Mr I. J. Bowan (Chairman)
To 25 July 2012
Mr S. R. Thompson (Chairman)
From 25 July 2012
Mr R. D. Ramsay
Mr W. Larsen
Mr A. J. France
M W. Bell
From 25 July 2012

Subsidiaries
Mr I. J. Bowan (Chairman)
To 25 July 2012
Mr S. R. Thompson (Chairman)
From 25 July 2012
Mr R. D. Ramsay
Mr W. Larsen
Mr A. J. France
Mr W. Bell
From 25 July 2012
Mr E. J. Powell
To 25 July 2012
Mr M. F. Boorer
From 25 July 2012

Associates
Mr I. J. Bowan
To 25 July 2012
Mr R. D. Ramsay
Mr A. J. France

DIRECTORS' INTERESTS IN CONTRACTS

The following Directors of companies within the Group have declared interests in identified entities as shareholder and/or director. The declaration serves as notice that the Director may benefit from any transactions between the Company or Group and the identified entities.

Name	Name of Company/Entity	Interest
Mr S. R. Thompson	Abbey Field Construction Ltd	Shareholder
	Andgra Limited	Shareholder
	Arthur Barnett Investments Ltd	Director
	Arthur Barnett Savings Ltd	Director
	Aspiring Guides Ltd	Shareholder
	Best View Limited	Director
	Cairnmuir Road Winery Ltd	Director
	Deloitte	Partner
	Deloitte Ltd	Director
	DIC Stores Ltd	Director
	EAL Investments Ltd	Shareholder
	Ellisons Aluminium Ltd	Director
	Ellisons Aluminium Central Ltd	Director
	F.S. Investments Ltd	Director
	Golden Block Car Park Support Ltd	Director
	Integrated Contract Solutions Ltd	Director
	Meridian Centre Ltd	Director
	McKenzie Architects Limited	Shareholder
	Millenium Solutions Ltd	Director
	Minaret Resources Ltd	Director
	NetCon Limited	Director
	NetCon International Limited	Director
	OB Horn Company Ltd	Shareholder
	Prospectus Nominees	Director
	Prospectus Nominees Services Ltd	Director

Name	Name of Company/Entity	Interest
Mr S. R. Thompson	Richard E Shackleton Architects Ltd	Shareholder
	Southern Aluminium Joinery Ltd	Director
	Timaru Electricity Ltd	Chairman
	Thompson Bloodstock Ltd	Chairman
	Wanaka Bay Ltd	Director
	Westminster Resources Ltd	Director
	Whitestone Contracting Limited	Director
Mr R. D. Ramsay	Energy Mad Ltd	Chairman
	NetCon Limited	Director
	NetCon International Limited	Director
	Pukaki Airport Board	Member
	Rockgas Timaru Ltd	Director
	Salmon Smolt New Zealand Ltd	Director
Mr A. J. France	Geraldine Bus Services Trust	Chairman
	NetCon Limited	Director
	NetCon International Limited	Director
	The Juicy Tree Co Ltd	Director
	Rockgas Timaru Ltd	Director
Mr W. A. Larsen	Air New Zealand Ltd	Director
	Centre Port Group Ltd	Chairman
	Landcorp Group Ltd	Deputy Chairman
	Larsen Consultancy Services Ltd	Principal
	IOD Member Accreditation Board	Director
	NetCon Limited	Director
	NZAEL Limited	Chairman
Mr W. J. Bell	Bilderford Holdings Ltd	Director
	Cyprus Enterprises Ltd	Director
	Ferguson Brothers (2012) Ltd	Director
	Golf Links Holdings Ltd	Director
	Hallenstein Glasson Group of Companies	Chairman
	Maling & Co Ltd	Director
	Meadow Mushrooms Group of Companies	Director
	NetCon Limited	Director
	Ryman Healthcare	Director
	Sabina Ltd	Director
	Selwyn District – Rolleston Industrial Park Committee	Member
	St Georges Hospital	Chairman
	Warren Bell Ltd	Director
Mr A. G. Tombs	Smart Co	Director
Mr M. F. Boorer	Rockgas Timaru Ltd	Alternative Director
	Timaru Electricity Ltd	Director

No material contracts involving Directors' interests were entered into after the end of the previous financial year or existed at the end of the financial year other than the transactions detailed in note 21 to the financial statements.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company continues to indemnify all directors named in this report against any liability to any person other than the Company or a related company for any act done or omission made in a Director's capacity as a Director of the Company, and all costs incurred in defending or settling any claim or proceedings related to such liability, unless the liability is criminal liability or liability for breach of Section 131 of the Companies Act 1993.

During the financial year the Company paid insurance premiums in respect of directors' and officers' liability insurance. The policies do not specify the premium for individual directors and executive officers.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

DONATIONS

Donations paid during the year totalled $54,764 (2011/2012 $158,696).

USE OF COMPANY INFORMATION

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

DIRECTORS' REMUNERATION AND BENEFITS FROM THE COMPANY

	Parent	Subsidiaries	Associates	Total
I. J. Bowan	13,932	10,550	375	24,857
S.R. Thompson	45,619	24,488	-	70,107
R.D. Ramsay	24,280	17,327	1,125	42,732
W Larsen	27,430	17,327	-	44,757
A.J. France	24,280	17,327	1,125	42,732
W. Bell	19,949	11,551	-	31,500
	155,490	**98,570**	**2,625**	**256,685**

Mr Powell and Mr Boorer did not receive any remuneration directly related to the position of Director of a Subsidiary Company.

No Director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit, (other than a benefit included in the total emoluments received or due and receivable by directors shown in the financial statements) other than those due in the ordinary course of business.

EMPLOYEE REMUNERATION

Details of remuneration ranges for employees of the Group are:-

Remuneration Range	Number of Employees
$100,000-$109,999	9
$110,000-$119,999	6
$120,000-$129,999	4
$130,000-$139,999	4
$140,000-$149,999	1
$150,000-$159,999	2
$170,000-$179,999	1
$200,000-$209,999	1
$300,000-$309,999	1

AUDITORS

In accordance with Section 45 of the Energy Companies Act 1992, the Auditor-General is responsible for the audit of Alpine Energy Limited. In accordance with Section 29 of the Public Finance Act 1977, the Auditor-General has contracted the audit of Alpine Energy Limited to Mark Bramley, using the staff and resources of PriceWaterhouseCoopers. The audit fee for the Group 2012/13 is $103,090 (2011/10 $67,115).

Mr S. R. Thompson
Chairman
11 June 2013

A. J. France
Director

DIRECTORS' RESPONSIBILTY STATEMENT

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 March 2013 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates, and that all relevant reporting and accounting standards have been met.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements of Alpine Energy Limited and Group for the year ended 31 March 2013.

For and on behalf of the Board of Directors,

Mr S.R. Thompson
Chairman

A.J. France
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2013

	NOTE	GROUP 2013 $'000	GROUP 2012 $'000	PARENT 2013 $'000	PARENT 2012 $'000
Revenue	4	46,035	39,555	45,896	38,808
Expenses	5				
Transmission		10,765	8,761	10,765	8,761
Depreciation Amortisation and Loss on Disposal		5,478	4,306	4,930	3,821
Contract Services		4,714	456	6,134	6,354
Employee Benefits		8,000	7,736	4,520	4,050
Other		1,778	5,587	4,230	3,324
		30,735	26,846	30,579	26,310
Operating Surplus / (Deficit) From Continuing Activities		15,300	12,709	15,317	12,498
Share of Profit/(Loss) from Associates		124	138	-	-
PROFIT BEFORE INCOME TAX		15,424	12,847	15,317	12,498
Taxation	6	4,518	3,496	4,412	3,293
PROFIT FROM OPERATIONS		10,906	9,351	10,905	9,205
Other Comprehensive Income For The Year					
Gain/(Loss) on Revaluation of Land And Buildings		156	49	-	-
Gain/(Loss) on Interest Rate Swap		(303)	106	(303)	106
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,759	9,506	10,602	9,311

	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
PARENT					
Balance as at 1 April 2011	41,328	-	-	64,890	106,218
Comprehensive Income					
Profit from Operations	-	-	-	9,205	9,205
Other Comprehensive Income	-	-	106	-	106
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
BALANCE AT 31 MARCH 2012	**41,328**	**-**	**106**	**66,532**	**107,966**
PARENT					
Balance as at 1 April 2012	41,328	-	106	66,532	107,966
Comprehensive Income					
Profit from Operations	-	-	-	10,905	10,905
Other Comprehensive Income	-	-	(303)	-	(303)
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
BALANCE AT 31 MARCH 2013	**41,328**	**-**	**(197)**	**69,874**	**111,005**
GROUP					
Balance as at 1 April 2011	41,328	1,653	-	63,513	106,494
Comprehensive Income					
Profit from Operations	-	-	-	9,351	9,351
Other Comprehensive Income	-	49	106	-	155
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
BALANCE AT 31 MARCH 2012	41,328	1,702	106	65,301	108,437
GROUP					
Balance as at 1 April 2012	41,328	1,702	106	65,301	108,437
Comprehensive Income					
Profit from Operations	-	-	-	10,906	10,906
Other Comprehensive Income	-	156	(303)	-	(147)
Transactions with Owners					
Dividends	-	-	-	(7,563)	(7,563)
BALANCE AT 31 MARCH 2013	41,328	1,858	(197)	68,644	111,633

BALANCE SHEETS AS AT 31 MARCH 2013

	NOTE	GROUP 2013 $'000	GROUP 2012 $'000	PARENT 2013 $'000	PARENT 2012 $'000
EQUITY					
Share Capital	7	41,328	41,328	41,328	41,328
Reserves		1,661	1,808	(197)	106
Retained Earnings		68,644	65,301	69,874	66,532
TOTAL SHAREHOLDERS EQUITY		**111,633**	**108,437**	**111,005**	**107,966**
CURRENT ASSETS					
Cash and Cash Equivalents		111	750	-	-
Trade and Other Receivables	8	2,621	1,852	1,917	1,663
Inventories		825	695	-	-
Work In Progress		270	135	-	-
Tax Prepaid		-	68	-	49
TOTAL CURRENT ASSETS		**3,827**	**3,500**	**1,917**	**1,712**
CURRENT LIABILITIES					
Bank Overdraft		-	-	3	579
Trade and Other Payables	9	6,421	2,973	7,191	3,330
Employee Entitlements		1,281	1,085	461	438
Dividends Payable		3,025	3,025	3,025	3,025
Tax Payable		769	-	607	-
TOTAL CURRENT LIABILITIES		**11,496**	**7,083**	**11,287**	**7,372**
NET WORKING CAPITAL		**(7,669)**	**(3,583)**	**(9,370)**	**(5,660)**
NON CURRENT ASSETS					
Investments in Subsidiary	11	-	-	30	30
Investments Accounted for Using the Equity Method	12	292	270	5	5
Property, Plant and Equipment	13	160,756	151,961	154,558	145,257
Investment Property	14	-	-	5,330	5,061
Intangible Assets	15	224	143	176	105
Interest Rate Swap	19	-	106	-	106
Related Party Loan	10	-	-	2,644	3,729
TOTAL NON-CURRENT ASSETS		**161,272**	**152,480**	**162,743**	**154,293**
Net Deferred Tax	6	16,709	15,306	17,108	15,513
Interest Rate Swap	19	197	-	197	-
Loans	16	25,064	25,154	25,064	25,154
TOTAL NON-CURRENT LIABILITIES		**41,970**	**40,460**	**42,369**	**40,667**
NET ASSETS		**111,633**	**108,437**	**111,005**	**107,966**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2013

	NOTES	GROUP 2013 $'000	GROUP 2012 $'000	PARENT 2013 $'000	PARENT 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		45,076	40,104	45,650	38,683
Interest Received		25	24	174	187
		45,101	**40,128**	**45,824**	**38,870**
Cash was applied to:					
Payments to suppliers		(20,994)	(22,474)	(20,956)	(22,452)
Income Tax Paid		(2,300)	(2,793)	(2,159)	(2,405)
Net GST Paid		349	36	(47)	(156)
Interest Paid		(1,046)	(598)	(1,046)	(598)
		(23,991)	(25,829)	(24,208)	(25,611)
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	**21,110**	**14,299**	**21,616**	**13,259**
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds from sale of fixed assets		37	17	27	7
Cash was applied to:					
Purchase of Property, Plant and Equipment		(14,233)	(22,676)	(14,599)	(22,702)
NET CASH FROM INVESTING ACTIVITIES		**(14,196)**	**(22,659)**	**(14,572)**	**(22,695)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Dividends Received		100	200	100	200
Loan from Bank		(90)	16,180	(90)	16,180
Repayment of Loan to Subsidiary		-	-	1,085	-
Cash was applied to:					
Dividend Paid		(7,563)	(7,563)	(7,563)	(7,563)
CASH FROM FINANCING ACTIITIES		**(7,553)**	**8,817**	**(6,468)**	**8,817**
NET INCREASE (DECREASE) IN CASH HELD		(639)	457	576	(619)
Add opening cash brought forward		750	293	(579)	40
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**111**	**750**	**(3)**	**(579)**

1 GENERAL INFORMATION

Alpine Energy Limited (the Company), and its subsidiaries and associates (together the Group) is the owner of an electricity distribution network, and also undertakes assets management contracting services.
The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 31 Meadows Road, Washdyke, Timaru.

These consolidated financial statements have been approved for issue by the Board of Directors on 11 June 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), the International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities.

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements for the 'Parent' are for Alpine Energy Limited as a separate legal entity. The consolidated financial statements for the 'Group' are for the economic entity comprising Alpine Energy Limited, its subsidiaries and associates. The Company and Group are designated as Parent profit oriented entities for financial reporting purposes.

Statutory base

Alpine Energy Limited is a company registered under the Companies Act 1993.
The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Functional and presentation currency

The Company's and Group's financial statements are presented in New Zealand dollars, which is the Company's and Group's functional and presentation currency.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Critical accounting estimates and judgements in applying the entity's accounting policies

The preparation of financial statements in conformity with NZ IFRS requires management to make certain critical accounting estimates and judgements that affect the application of policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and judgements formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying judgements are regularly reviewed. Any changes to estimates are recognised in the period if the change affects that period, or in future periods if the change also affects future periods.

In the process of applying the Company's and Group's accounting policies, management has made the following estimates and judgements that have had the most significant impact on the amounts recognised in these financial statements:

Investment property valuation

Investment property valuations are based on net current value and supported by market evidence. No allowance has been made for any vacant tenancy in the capitalisation rate used to calculate the valuation of rental properties.

Easements

Easements are recorded at cost.

Property, Plant and Equipment

Network reticulation assets' depreciation rates in the ODV Handbook issued by the Commerce Commission in 2004.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alpine Energy Limited as at 31 March 2013 and the results of all subsidiaries for the year then ended. Alpine Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries which form part of the Group are consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates
Associates are all entities over which the Group has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the Group by using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Associates are accounted for at cost in the Parent financial statements.

(d) Revenue recognition

Revenue comprises the fair value, of consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(i) Sales of goods
Sales of goods are recognised when a Group entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

(ii) Sales of services
Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(iv) Construction contracting
Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

(v) Rental income
Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(vi) Dividend income
Dividend income is recognised when the right to receive payment is established.

(vii) Grants
Assets constructed for which a government grant is received are recorded net of the grant. Grants received are recognised in the Income Statement when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

(e) Capital and operating expenditure

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure is that expenditure incurred in maintaining and operating the property, plant and equipment and investment properties of the Group.

(f) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associate's operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Taxation (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different entities where there is an intention to settle the balances on a net basis.

(g) Goods and Services Tax (GST)
The Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the Balance Sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases
(i) The Group is the lessee
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(ii) The Group is the lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(i) Impairment of non financial assets
Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(k) Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at the initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit and loss
This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents', and 'other investments' in the balance sheet.

(iii) Held to maturity investments
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available for sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

Recognition and Measurement
Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains-net' in the period in which they arise. Dividend income from financial assets at fair value through the profit or loss is recognised in the income statement as part of other income when the groups right to receive payments is established.

Impairment
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment losss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

The group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated Statement of Comprehensive Income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated Statement of Comprehensive Income.

Assets Classified As Available For Sale
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. For debt securities, the group uses the criteria above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss- is removed from equity and recognised in the consolidated income statement . Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss is reversed through the separate consolidated income statement.

Impairment testing of trade receivables is described in note 2(k).

(m) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income with 'finance income' or cost. All other foreign exchange gains and losses are presented within 'other (losses)/gains-net.'

(n) Inventories

Inventories are stated at the lower of average cost and net realisable value.

(o) Contract work in progress

Contract work in progress is stated at cost less amounts invoiced to customers. Cost includes all expenses directly related to specific contracts.

(p) Investment properties

Investment property, principally comprising freehold office buildings, is held for long term rental yields and is not occupied by the group. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Investment properties (continued)

active markets or discounted cash flow projections. These valuations are approved annually by G.A. Morton. Changes in fair values are recorded in the income statement as part of other income.

Land held under operating lease is classified and accounted for as an investment property when the rest of the definition is met. The operating lease is accounted for as if it were a finance lease.

(q) Property, plant and equipment

All property, plant and equipment (except land and buildings) is stated at historical cost less depreciation and impairment. Land and buildings are recorded at the revalued net current value resulting from revaluations carried out annually by a registered valuer. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases are charged against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying among of the asset charged to the income statement and depreciation based on the assets' original cost is transferred from 'other reserves' to 'retained earnings.'

Land is not depreciated. Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

• Reticulation system	1.4 % - 10.0 %
• Metres and Relays	6.67 % - 15.0 %
• Plant and Equipment	7.5 % - 50.0 %

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date. Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(r) Non Current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the Statement of Comprehensive Income.

(s) Intangible assets

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years. Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Easements

Assets sited on easements will normally be renewed at the end of their economic life in the same location that they are currently housed. On this basis the easement itself has an infinite life. Easements are recorded at cost and are tested annually for any sign of impairment.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised at fair value.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Share Capital

Ordinary shares are classified as equity.
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(w) Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Group has a present legal or the

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions (continued)

constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

(x) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of the estimated future cash flows.

(y) Dividends

Dividend distribution to the Company shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(z) New standards and interpretations not yet adopted

The Company only adopts new accounting standards once they have been issued and are effective. "Certain new standards, amendments and interpretations of existing standards have been published that are not mandatory for later periods and which the Group has not early adopted. The Group only adopts accounting standards once they have been issued and are effective. The Group has identified the standards which have been issued but not yet adopted that are applicable to the Group, and has assessed the impact of these new standards below.

NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015)
This standard replaces the parts of NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments. All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost. The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The Group intends to adopt the new standard in the annual reporting period ending 31 March 2015.

NZ IFRS 10 Consolidated Financial Statements, **NZ IFRS 12 Disclosure of Interests in Other Entities,** (effective 1 January 2013)
NZ IFRS 10 replaces all of the guidance on control and consolidation in NZ IAS 27 *Consolidated and Separate Financial Statements,* and NZ IFRIC 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

NZ IFRS 12 sets out the required disclosures for entities reporting under the two new standards, NZ IFRS 10 and NZ IFRS 11, and replaces the disclosure requirements currently found in NZ IAS 28. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 March 2014.

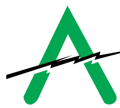
NZ IFRS 13 Fair Value Measurement (effective 1 January 2013)
NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group intends to adopt the above standard in the annual reporting period ending 31 March 2014.

(aa) Changes in accounting policies

There has been the following change in accounting policies. Revised NZ IAS 24 Related Party Disclosures NZIAS 24 is effective for accounting periods beginning on or after 1 January 2011, and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party, and removes the requirement of government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has applied the amended standard from 1 April 2011 onwards. It has not had a significant effect on the financial statements. All other policies have been applied on bases consistent with those used in the prior year.

3 FINANCIAL RISK MANAGEMENT

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these risks where possible within the parameters set out by the Board of Directors. The Board provides written principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk and credit risk.



3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Foreign exchange risk

The Group's revenue is entirely denominated in New Zealand dollars and it has limited currency exposure in the foreseeable future. The Group may from time to time purchase assets denominated in foreign currency. Board approval is required for foreign currency denominated contracts valued above a specified threshold, together with a recommendation on the manner in which the foreign currency exposure is to be managed, which may include the use of foreign exchange contracts.

(ii) Cash flow and fair value interest rate risk

The Group has an interest rate risk relating to bank borrowings that are on floating interest rates, exposing it to the risk that rising interest rates will increase its interest expense and hence reduce its profitability. The Group operates under the following policy which prescribes the proportion of fixed interest rate cover that it must hold in relation to its future borrowings. This proportion is calculated based on the actual fixed rate cover held and the forecast debt levels. The Group will have various interest rate financial instruments to manage exposure to fluctuations in interest rates. Any resulting differential to b paid or received on the instruments is recognized as a component of interest paid.

The following framework is utilised by the Group to determine the proportion of fixed rate interest rate cover it must hold.

Hedging profile

Period	Minimum Cover	Maximum Cover
0 to 1 year	25%	75%
1 - 3 years	35%	75%
3 - 5 years	35%	75%
5 - 7 year	35%	75%

The Board will determine the maximum and minimum percentages for each time period. Board approval is required for borrowings, together with a recommendation on the manner in which the interest rate risk is to be managed. The Group has no cash on deposit.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. General financial reserves of the Group may be invested with any bank registered under New Zealand law, or in government or local government stock, or with financial institutions holding a formal credit rating by Standard and Poors or Moody's of an "A" or better, or financial institutions that provide well supported first ranking security. Funds will be invested only for periods of time which reflect the projected cash flow requirements of the Group. The maximum investment in any one financial institution shall not exceed a sum equivalent to 5% of the Group's total assets, as disclosed in the statement of financial position published in the preceding annual report of the Group. Credit risk associated with trade receivables is limited through retailer invoicing for line and metering charges rather than individual consumer invoicing for line and metering charges. Credit is also limited with trade receivables by the requirement of a 50% upfront payment of the customer contribution for new connections before work is started.

(c) Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approves all new borrowing facilities.

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The value of any financial instruments that are not traded in and active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

(e) Capital risk management

The Group's objective when managing capital (which comprises share capital plus retained earnings) is to safeguard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group is subject to the following externally imposed capital requirements, which are measured at balance date. They relate to bank covenants within the Company's external debt facility.

$$\frac{\text{Shareholders' Investment}}{\text{Total Tangible Assets}} \times 100 \geq 50.00\% \qquad \frac{\text{EBIT}}{\text{Interest Costs}} \geq 3.0$$

4 REVENUE

	NOTE	GROUP 2013 $'000	GROUP 2012 $'000	PARENT 2013 $'000	PARENT 2012 $'000
Network Lines Revenue		39,231	34,001	39,396	34,239
Meter Revenue		1,691	1,499	1,691	1,499
Contracting Revenue		2,243	2,220	1,405	709
Interest		34	10	184	187
Customer Contributions		2,711	1,749	2,711	1,749
Sundry		125	76	224	176
Dividends		-	-	100	200
Revaluation of Investment Property	14	-	-	185	49
		46,035	**39,555**	**45,896**	**3,808**

5 EXPENSES

	GROUP		PARENT	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Audit Fee	103	67	63	41
Auditor's Other Services	49	100	31	100
- Non-assurance services				
- Information Disclosure Audit				
- Threshold Compliance Audit				
Directors Fees	257	238	158	137
Bad Debts Written Off	17	-	17	-
Donations	55	168	40	159
Rent	4	19	4	19
Interest Expense	1,046	598	1,046	598
Depreciation of Property, Plant and Equipment				
Network Reticulation System	3,678	3,008	3,682	3,013
Meters and Relays	296	264	296	264
Land and Buildings	44	34	44	34
Fibre	147	147	147	147
Plant and Equipment	681	662	155	194
TOTAL DEPRECIATION	**4,846**	**4,115**	**4,324**	**3,652**
Amortisation	94	61	68	39
Loss on Disposal of PPE	538	130	538	130
Total Depreciation, Amortisation and Impairment	**5,478**	**4,306**	**4,930**	**3,821**

6 TAXATION

	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Operating Surplus Before Income Tax	15,424	12,847	15,317	12,498
Taxation @ 28 Cents	4,319	3,597	4,289	3,499
Movement in Income Tax Due to:				
Non Deferred Tax Differences				
Non Assessable Income	1	(40)	(62)	(234)
Non Deductible Expenses	25	(15)	12	66
Prior Period Adjustments	173	(46)	173	(38)
Tax Expense for Period	**4,518**	**3,496**	**4,412**	**3,293**
Made up of:				
Income Tax Liability in Respect of Current Year	3,081	2,489	2,766	2,213
Prior Period Tax Adjustment	62	(46)	62	(39)
Deferred Taxation	1,375	1,053	1,584	1,119
	4,518	**3,496**	**4,412**	**3,293**
Imputation Credit Account Group and Parent				
Opening Balance	3,426	3,483	3,008	3,465
Prior Period Adjustment				
Income Tax Payments during the Year	2,161	2,806	2,161	2,406
Imputaion Credits Received	341	78	39	78
Imputation Credits allocated to Dividends in the Year	(2,941)	(2,941)	(2,941)	(2,941)
CLOSING BALANCE	**2,987**	**3,426**	**2,267**	**3,008**

Deferred Tax

The analysis of Deferred Tax Assets and Deferred Tax Liabilities is as follows:

6 TAXATION (CONTINUED)

	GROUP		PARENT	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Deferred Tax Assets				
- Deferred Tax Assets to be Recovered After More than 12 Months	619	325	314	325
- Deferred Tax Assets to be Recovered Within 12 Months	128	302	128	124
Deferred Tax Liabilities				
- Deferred Tax Liabilitiy to be Recovered After More than 12 Months	(17,291)	(15,888)	(17,385)	(15,917)
- Deferred Tax Liabilitiy to be Recovered Within 12 Months	(165)	(45)	(165)	(45)
DEFERRED TAX LIABILITIES (NET)	**(16,709)**	**(15,306)**	**(17,108)**	**(15,513)**
At 1 April	(15,306)	(14,258)	(15,513)	(14,404)
Tax (charge)/credit Relating to Components of Comprehensive Income	(1,375)	(1,146)	(1,595)	(1,109)
Tax (charge)/credited directly to equity	(28)	98	-	-
AS AT 31 MARCH	**(16,709)**	**(15,306)**	**(17,108)**	**(15,513)**

The Movement in Deferred Income Tax Assets and Liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

PARENT

Deferred Tax Liabilities	**Accelerated Tax Depreciation**	**Total**
	$'000	**$'000**
At 1 April 2011	(14,845)	(14,845)
Charged/(Credited) to the Statement of Comprehensive Income	(1,116)	(1,116)
At 31 March 2012	**(15,961)**	**(15,961)**
Charged/(Credited) to the Statement of Comprehensive Income	(1,590)	(1,590)
At 31 March 2013	**(17,551)**	**(17,551)**

Deferred Tax Assets	**Provisions**	**Total**
	$'000	**$'000**
At 1 April 2011	441	441
Charged/(Credited) to the Statement of Comprehensive Income	7	7
At 31 March 2012	**448**	**448**
Charged/(Credited) to the Statement of Comprehensive Income	(6)	(6)
At 31 March 2013	**442**	**442**

GROUP

Deferred Tax Liabilities	**Accelerated Tax Depreciation**	**Total**
	$'000	**$'000**
At 1 April 2011	(14,688)	(14,688)
Charged/(Credited) to the Statement of Comprehensive Income	(1,245)	(1,245)
At 31 March 2012	**(15,933)**	**(15,933)**
Charged/(Credited) to the Statement of Comprehensive Income	(1,524)	**(1,524)**
At 31 March 2013	**(17,457)**	**(17,457)**

Deferred Tax Assets	**Provisions**	**Total**
	$'000	**$'000**
At 1 April 2011	430	430
Charged/(Credited) to the Statement of Comprehensive Income	197	197
At 31 March 2012	**627**	**627**
Charged/(Credited) to the Statement of Comprehensive Income	120	**120**
At 31 March 2013	**747**	**747**

7 SHARE CAPITAL

Paid Up Capital: 41,328,017 Ordinary Shares. The shares have a value of $1.00 per share.
There are no unpaid or uncalled shares. All shares rank equally for voting rights and dividend distributions.

The Company is owned as follows:	No. of Shares	
Timaru District Holdings Limited	19,630,808	47.50%
Waimate District Council	3,116,132	7.54%
Mackenzie District Council	2,049,870	4.96%
LineTrust South Canterbury	16,531,207	40.00%
	41,328,017	**100.00%**

There were no changes in shareholdings during the year.

8 TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
The balance of Accounts Receivable comprises:				
Trade Receivables	2,617	1,514	1,935	1,435
Provision for Doubtful Debts	(81)	(81)	(81)	(81)
Prepayments	105	184	73	144
Accruals	(38)	188	(13)	158
Due by Associated Entities	3	7	3	7
Due by Shareholder District Councils	15	40	-	-
BALANCE AT END OF THE YEAR	**2,621**	**1,852**	**1,917**	**1,663**
Trade receivables less than 90 days old	2,253	1,360	1,789	1,297
Trade receivables greater than 90 days old	382	171	149	145
	2,635	**1,531**	**1,938**	**1,442**
Trade receivables which are neither past due nor impaired	2,238	1,360	1,774	1,297
Trade receivables which are past due and not impaired	301	171	68	145
	2,539	**1,532**	**1,842**	**1,442**

9 TRADE AND OTHER PAYABLES

	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
The balance of Accounts Payable comprises:				
Trade Payables	3,737	2,128	4,900	2,933
Balance Date Accruals	491	832	97	384
Capital Contributions in Advance	2,181	-	2,181	-
Due to Shareholders District Councils	13	35	13	8
BALANCE AT END OF THE YEAR	**6,421**	**2,973**	**7,191**	**3,330**

10 RELATED PARTY LOAN

	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Shareholder loan to NetCon Limited	-	-	2,644	3,729
Balance at End of the Year	**-**	**-**	**2,644**	**3,729**

11 INVESTMENT IN SUBSIDIARIES

Subsidiary	**Interest Held**	**Balance Date**	**Principal Activity**
Timaru Electricity Limited	100%	31 March	Non-trading
NetCon Limited	100%	31 March	Lines Construction & Maintenance

Investment	PARENT	
	2013	2012
	$'000	$'000
Timaru Electricity Limited		
Shares	4,036	4,036
Advances	-	-
Less Provision against Value of Advance	(4,036)	(4,036)
	-	-
NetCon Limited		
Shares	30	30
Advances	2,644	3,729
	2,674	**3,759**

11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Netcon International Limited, a wholly-owned Subsidiary of NetCon Limited, has a 30% share of a Partnership with SESI International (2011) Limited to construct a Solar Power Project in Barnyan City in Afgahistan. The project is being funded by the New Zealand Government through the Ministry of Foreign Affairs and Trade. The Partnership is accounted for as an associate investment. Given the stage of completion of the project, and therefore the uncertainty as to the eventual profit or loss under the contract, no profit has ben recognised within the partnership in the current year.

12 INVESTMENTS IN ASSOCIATED ENTITIES

Associated entities include:	Interest Held	Balance Date	Principal Activity
Rockgas Timaru Limited	50%	31 March	Sale of LPG Gas and Appliances

	ASSETS $'000	LIABILITIES $'000	REVENUES $'000	PROFIT $'000
2012				
Rockgas Timaru Limited	690	149	1,936	275
2013				
Rockgas Timaru Limited	804	220	2,026	248

	2013 $'000	2012 $'000
Opening Balance	270	332
Share of Profit/(Loss)	124	138
Prior Period Adjustment	(2)	-
Dividends Received	(100)	(200)
Closing Balance	**292**	**270**
Represented as:		
Shares	5	5
Retained Earnings	287	265
	292	**270**

13 PROPERTY, PLANT AND EQUIPMENT

	NETWORK RETICULATION SYSTEM $'000	METERS AND RELAYS $'000	LAND AND BUILDINGS $'000	FIBRE $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
PARENT						
Year Ended 31 March 2012						
Opening Net Book Amount	120,262	2,355	-	3,575	586	126,778
Additions	22,062	-	-	-	178	22,240
Disposals	(135)	-	-	-	(8)	(143)
Depreciation Charge	(3,013)	(264)	-	(147)	(194)	(3,618)
CLOSING NET BOOK AMOUNT	**139,176**	**2,091**	**-**	**3,428**	**562**	**145,257**
At 31 March 2012						
Cost	170,618	4,562	-	3,611	2,989	181,780
Accumulated Depreciation	(31,442)	(2,471)	-	(183)	(2,427)	(36,523)
NET BOOK AMOUNT	**139,176**	**2,091**	**-**	**3,428**	**562**	**145,257**
Year Ended 31 March 2013						
Opening Net Book Amount	139,176	2,091	-	3,428	562	145,257
Additions	13,519	405	-	-	263	14,187
Disposals	(569)	-	-	-	(37)	(606)
Depreciation Charge	(3,682)	(296)	-	(147)	(155)	(4,280)
CLOSING NET BOOK AMOUNT	**148,444**	**2,200**	**-**	**3,281**	**633**	**154,558**
At 31 March 2013						
Cost	183,568	4,967	-	3,611	3,215	195,362
Accumulated Depreciation	(35,124)	(2,768)	-	(330)	(2,581)	(40,804)
NET BOOK AMOUNT	**148,444**	**2,200**	**-**	**3,281**	**633**	**154,558**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2013 $'000	2012 $'000
Included in the closing Net Book Value is Capital Work in Progress	4,041	4,923

	NETWORK RETICULATION SYSTEM $'000	METERS AND RELAYS $'000	LAND AND BUILDINGS $'000	FIBRE $'000	PLANT AND EQUIPMENT $'000	TOTAL $'000
GROUP						
Year Ended 31 March 2012						
Opening Net Book Amount	119,497	2,355	4,700	3,575	3,467	133,594
Revaluation	-	-	49	-	-	49
Additions	21,415	-	346	-	820	22,581
Disposals	(135)	-	-	-	(12)	(147)
Depreciation Charge	(3,008)	(264)	(34)	(147)	(663)	(4,116)
CLOSING NET BOOK AMOUNT	**137,769**	**2,091**	**5,061**	**3,428**	**3,612**	**151,961**
At 31 March 2012						
Cost	169,201	4,562	5,107	3,611	8,706	191,187
Accumulated Depreciation	(31,432)	(2,471)	(46)	(183)	(5,093)	(39,226)
NET BOOK AMOUNT	**137,769**	**2,091**	**5,061**	**3,428**	**3,612**	**151,961**
Year Ended 31 March 2013						
Opening Net Book Amount	137,769	2,091	5,061	3,428	3,612	151,961
Revaluation	-	-	185	-	-	185
Additions	13,016	405	128	-	518	14,067
Disposals	(567)	-	-	-	(43)	(610)
Depreciation Charge	(3,679)	(296)	(44)	(147)	(681)	(4,847)
CLOSING NET BOOK AMOUNT	**146,539**	**2,200**	**5,330**	**3,281**	**3,406**	**160,756**
At 31 March 2013						
Cost	181,650	4,967	5,420	3,611	9,180	204,828
Accumulated Depreciation	(35,111)	(2,767)	(90)	(330)	(5,774)	(44,072)
NET BOOK AMOUNT	**146,539**	**2,200**	**5,330**	**3,281**	**3,405**	**160,756**

	2013 $'000	2012 $'000
Included in the closing Net Book Value is Capital Work in Progress	3,846	4,555

14 INVESTMENT PROPERTY

	NOTE	PARENT 2013 $'000	2012 $'000
Valuation at the Beginning of the Year		5,061	4,700
Additions		128	346
Change in Fair Value	4	185	15
Depreciation		(44)	-
Valuation at the End of the Year		**5,330**	**5,061**
Amounts recognised in the Statement of Comprehensive Income			
Rental Income		212	175
Direct operating expenses of investment properties that generated income		207	95
Direct operating expenses of investment properties that did not generate income		-	-

Investment properties were revalued at 31 March 2013 by G.A. Morton, an Independant Registered Public Valuer, with knowledge of the market in which the property is located. The current price of the investment property reflects, among other things, market conditions, rental income from current leases, and expected future cash flows.

No investment properties were sold during the period.

At the date of issue of these financial statements, no restriction exists on the realisability of investment property or the remittance of income and proceeds of disposal.

14 INVESTMENT PROPERTY (CONTINUED)

No contractual obligation existed at the date of issue of these financial statements to purchase, construct or the remittance of income and proceeds of disposals.

No contractual obligation existed at the date of issue of these financial statements to purchase, construct or develop investment property or for repairs, maintenance or enhancements of rental properties.

Investment property comprises the property located at Washdyke that is leased to associated and other parties. Land and Buildings can only be classified as Investments if the owner occupies an insignificant portion thereof. The Parent occupies an insignificant portion of the property, which is therefore classified as Investment Property for the Parent. For Group purposes, it is included as Land and Buildings with Plant, Property and Equipment.

The yield applied to the net annual rentals to determine the fair value of the property is 9%.

15 INTANGIBLES

PARENT	EASEMENTS	"COMPUTER SOFTWARE"	TOTAL
Year Ended 31 March 2012	**$'000**	**$'000**	**$'000**
Opening Net Book Amount	26	45	71
Additions	-	75	75
Disposals	(2)	-	(2)
Amortisation	(2)	(37)	(39)
CLOSING NET BOOK AMOUNT	**22**	**83**	**105**
At 31 March 2012			
Cost	56	226	282
Accumulated Amortisation	(34)	(143)	(177)
NET BOOK AMOUNT	**22**	**83**	**105**
Year Ended 31 March 2013			
Opening Net Book Amount	22	83	105
Additions	-	139	139
Disposals	-	-	-
Amortisation	(2)	(66)	(68)
CLOSING NET BOOK AMOUNT	**20**	**156**	**176**
At 31 March 2013			
Cost	57	366	423
Accumulated Amortisation	(37)	(210)	(247)
NET BOOK AMOUNT	**20**	**156**	**176**
GROUP			
Year Ended 31 March 2012			
Opening Net Book Amount	26	85	111
Additions	-	95	95
Disposals	(2)	-	(2)
Amortisation	(2)	(59)	(61)
CLOSING NET BOOK AMOUNT	**22**	**121**	**143**
At 31 March 2012			
Cost	56	482	538
Accumulated Amortisation	(34)	(361)	(395)
NET BOOK AMOUNT	**22**	**121**	**143**
Year Ended 31 March 2013			
Opening Net Book Amount	22	121	143
Additions	-	177	177
Disposals	-	(2)	(2)
Amortisation	(2)	(92)	(94)
CLOSING NET BOOK AMOUNT	**20**	**204**	**224**

15 INTANGIBLES (CONTINUED)

	EASEMENTS $'000	"COMPUTER SOFTWARE" $'000	TOTAL $'000
At 31 March 2013			
Cost	57	658	715
Accumulated Amortisation	(37)	(454)	(491)
NET BOOK AMOUNT	**20**	**204**	**224**

16 LOANS

The Group has a new loan facility with the ANZ Bank to draw down a maximum of $35,000,000. The loan facility is an interchangable arrangement between a Flexible Credit Facility and a Money Market Line. At balance date the following amounts were drawn down.

	2013 $'000	2012 $'000
Flexible Credit Facility	15,000	10,000
Money Market Line	10,064	15,154

The termination date of the total facility is 16 August 2015. The loan is subject to a negative pledge.
An interest rate swap transaction had been entered into, effective 20 March 2013, covering the $15 million borrowed against the Flexible Credit Facility for a period of five years.
The interest rate applied to borrowings against the Money Market Line facility is linked to the Reserve Bank of New Zealand Official Cash Rate. A movement of 1.0% in this rate would result in a movement of $100,640 in the interest expense for the year. The covenants governing the loan have not been breached during the year.

17 COMMITMENTS

		2013 $'000	2012 $'000
(a) Capital Commitments		1,657	2,617
Lease commitments as lessee:			
(b) GPS equipment	Within one year	16	18
	Between one and five years	17	32
(c) Ricoh Equipment	Within one year	8	6
	Between one and five years	9	11
Lease payments receivable as lessor			
(c) Lease of Fibre Network	Within one year	503	499
	Between one and five years	2,517	2,494
	Over five years	8,430	8,854

The Group has other commitments totalling $192,002 per annum relating to new investment contracts with Transpower. The contracts generally have a term of 20 years, and the existing contracts have expiry dates ranging from 2017 until 2029.

18 RECONCILIATION OF OPERATING SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP 2013 $'000	GROUP 2012 $'000	PARENT 2013 $'000	PARENT 2012 $'000
Operating Surplus After Income Tax	10,906	9,351	10,904	9,205
Add/(Deduct) Non Cash Items				
Depreciation and Amortisation	5,478	4,176	4,902	3,691
Share of Surpluses of Associated Entities	(124)	(138)	-	-
Increase in Deferred Tax Liability	1,403	1,045	1,595	1,109
Disposal of Property, Plant and Equipment	-	130	28	130
	6,757	**5,213**	**6,525**	**4,930**

18 RECONCILIATION OF OPERATING SURPLUS WITH CASH FLOWS (CONTINUED) FROM OPERATING ACTIVITES

	GROUP		PARENT	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Add/(Deduct) Movements in Working Capital Items				
(Increase)/Decrease in Accounts Receivable	(904)	447	(38)	337
(Increase)/Decrease in Inventories and Work in Progress	(130)	98	-	-
Increase/(Decrease) in GST Liability	-	113	(240)	(78)
Increase/(Decrease) in Creditors and Employee Entitlements	3,644	(568)	3,909	(713)
Increase/(Decrease) in Provision for Tax	837	(355)	656	(222)
	3,447	**(265)**	**4,287**	**(676)**
Add (Deduct) Items Classified as Financing				
Dividends Received	-	-	(100)	(200)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**21,110**	**14,299**	**21,616**	**13,259**

19 FINANCIAL ASSETS/(LIABILITIES BY CATEGORY)

	DERIVATIVES - INTEREST RATE SWAP	LOANS AND RECEIVABLES	TOTAL
	$'000	$'000	$'000
PARENT			
Assets as per Balance Sheet			
As at 31 March 2012			
Related Party Loan	-	3,729	3,729
Receivables	-	1,663	1,663
Interest Rate Swap	106	-	106
	106	**5,392**	**5,498**
As at 31 March 2013			
Related Party Loan	-	2,644	2,644
Receivables	-	1,917	1,917
	-	**4,561**	**4,561**

	DERIVATIVES - INTEREST RATE SWAP	MEASURED AT AMORTISED COST	TOTAL
Liabilities as per Balance Sheet	$'000	$'000	$'000
At 31 March 2012			
Trade and Other Payables	-	(3,330)	(3,330)
Cash and Cash Equivalents	-	(579)	(579)
	-	**(3,909)**	**(3,909)**
At 31 March 2013			
Trade and Other Payables	-	(7,191)	(7,191)
Cash and Cash Equivalents	-	(3)	(3)
Interest Rate Swap	(197)	-	(197)
	(197)	**(7,194)**	**(7,391)**

	DERIVATIVES - INTEREST RATE SWAP	LOANS AND RECEIVABLES	TOTAL
GROUP			
Assets as per Balance Sheet	$'000	$'000	$'000
As at 31 March 2012			
Receivables	-	1,852	1,852
Cash and Cash Equivalents	-	750	750
Interest Rate Swap	106	-	106
	106	**2,602**	**2,708**
As at 31 March 2013			
Receivables	-	2,621	2,621
Cash and Cash Equivalents	-	111	111
	-	**2,732**	**2,732**

19 FINANCIAL ASSETS/(LIABILITIES) BY CATEGORY (CONTINUED)

Liabilities as per Balance Sheet	DERIVATIVES -INTEREST RATE SWAP $'000	MEASURED AT AMORTISED COST $'000	TOTAL $'000
At 31 March 2012			
Trade and Other Payables	-	(2,973)	(2,973)
	-	**(2,973)**	**(2,973)**
At 31 March 2013			
Trade and Other Payables	-	(6,421)	(6,421)
Interest Rate Swap	(197)	-	(197)
	(197)	**(6,421)**	**(6,618)**

20 CONTINGENT LIABILITIES

The Company has a contingent liability as at 31 March 2013 of $747,872. (2012 - $747,872). This liability relates to an agreement with Smart Co, for the Company to provide a subordinated shareholder loan to Smart Co once a number of terms have been met.

The Company has a Contingent Liability $US 2,122,500 to cover a performance guarantee to cover the Solar Power Project in Bamyan City in Afghanistan. This Contingency is offset by a Term Deposit of $US 1,485,750 held by the BNZ Bank incase the Performance Guarantee is triggered.

The Group has a contingent liability covering a performance guarantee over Netcon International Limited's share of the Bamyan Renewable Energy Project in Afghanistan amounting to $US636,750 (2012 $Nil).

21 RELATED PARTY TRANSACTIONS

Shareholders

All transactions between the Company and its Shareholder District Councils have been conducted on a commercial basis. Charges between the parties are made for services provided as part of the normal trading activities of the Company, and as such have been incorporated into the operating costs and revenues of the Company.

	GROUP		PARENT	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenues from Shareholder District Councils - Contracting Activities				
MacKenzie District Council	47	42	7	-
Timaru District Council	479	527	190	255
Waimate District Council	34	23	17	-
Payments to Shareholder Distrcit Councils - Rates				
MacKenzie District Council	17	14	17	14
Timaru District Council	53	46	43	42
Waimate District Council	11	28	11	28

Trading balances due from and to Shareholder District Councils are shown in note 8 and 9.

Parties Associated with Directors

The Group contracted with parties associated with certain directors of Alpine Energy Limited.
These transactions involved consulting services and were at normal commerical rates.

21 RELATED PARTY TRANSACTIONS (C0NTINUED)

	GROUP		PARENT	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deloitte (S.R. Thompson)	113	169	44	85

Associated Entities

Transactions with Associated Entities include:

Charges to Rockgas Timaru Limited for property rentals.

Revenues from Rockgas Timaru Limited	47	13	41	6

Trading balances due from and to Associated Entities, and loans to Associated Entities are shown in notes 8 and 9.

Transactions with Subsidiaries include:

Charges to NetCon Limited for property rentals and interest.
Payments to NetCon Limited for lines maintenance and construction.

	GROUP		PARENT	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revenues from NetCon Limited	271	230	271	230
Payments to NetCon Limited	15,824	15,583	15,824	15,583

Trading balances due from and to Subsidiaries, and loans to Subsidiaries are shown in notes 8 and 9.

Transactions with key management personnel
Key management personnel compensation was as follows:

Salaries	1,804	1,310	960	683

There is no provision for doubtful debts or bad debt expense for related parties.

22 EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in this report that has significantly affected or may significantly affect the operation of the Company or Group, the results of those operations or the state of affairs of the Company or Group.

Performance targets were set in the Statement of Corporate Intent approved by Directors.

	GROUP 2013	GROUP 2012	PARENT 2013	PARENT 2012
Financial Information				
1. Ratio of Net Surplus attributable to the Shareholders to Average Shareholders Equity:				
Target	7.5%	7.5%	7.5%	7.5%
Result	9.9%	8.7%	10.0%	8.6%
2. Tangible Assets per Share:				
Target	$2.79	$2.60	$2.79	$2.60
Result	$3.99	$3.79	$3.98	$3.77
3. Earnings per Share:				
Target	$0.259	$0.244	$0.259	$0.244
Result	$0.264	$0.226	$0.264	$0.223
4. Total Dividend per Share:				
Target			$0.183	$0.183
Result			$0.183	$0.183
5. Ratio of Shareholders' Equity to Total Assets:				
Minimum Target	50.0%	50.0%	50.0%	50.0%
Result	67.7%	69.3%	67.5%	9.2%
Non Financial Information				
6. Electricity Line Losses				
Maximum Target			6.0%	6.0%
Result			6.0%	4.4%
7. Average Interruption Duration				
Maximum Target (minutes per duration)			180	180
Result			148	162
8. Average Interruption Frequency				
Maximum Target (interruptions per customer)			1.5	1.5
Result			1.3	1.3

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ALPINE ENERGY LIMITED AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013

The Auditor-General is the auditor of Alpine Energy Limited (the company) and group. The Auditor-General has appointed me, Mark Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and performance report of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 13 to 33, that comprise the balance sheets as at 31 March 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the financial information within the performance report of the company and group on page 34.

Opinion

Financial statements and the performance report
In our opinion,

- the financial statements of the company and group on pages 13 to 33:

    - comply with generally accepted accounting practice in New Zealand;
    - comply with International Financial Reporting Standards; and
    - give a true and fair view of the company and group's:
        - financial position as at 31 March 2013; and
        - financial performance and cash flows for the year ended on that date;

- the financial information within the performance report of the company and group on page 34:

    - complies with generally accepted accounting practice in New Zealand; and
    - gives a true and fair view of the company and group's achievements measured against the financial performance targets adopted for the year ended 31 March 2013.

Other legal requirements
In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 19 June 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion
We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance report are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance report. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance report. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance report whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the

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company and group's financial statements and performance report that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and performance report; and
- the overall presentation of the financial statements and performance report.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance report. Also we did not evaluate the security and controls over the electronic publication of the financial statements and performance report.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors
The Board of Directors is responsible for preparing financial statements and a performance report that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a performance report that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and performance report, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor
We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence
When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008, other regulatory requirements of the Commerce Act 1986 and a limited scope non-assurance engagement, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

Mark Bramley
PricewaterhouseCoopers
On behalf of the Auditor-General
Dunedin, New Zealand

ALPINE ENERGY LIMITED

Waimate District Council 7.54%

Mackenzie District Council 4.96%

Timaru District Holdings 47.5%

LineTrust South Canterbury 40.0%

Timaru Electricity Limited Holding Company 100%

Rockgas Timaru Limited LPG 50%

SmartCo Limited 14.79%

NetCon Limited Contracting 100%

NetCon International Limited 100%

ALPINE ENERGY LIMITED

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